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November 10, 2004

Mary L. Cottrell, Secretary  
Department of Telecommunication and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02202

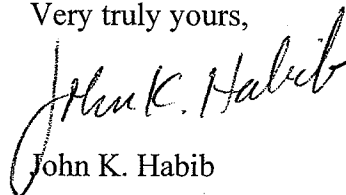
Re: D.T.E. 04-85 — Petition of Boston Edison Company and Commonwealth Electric Company for Approvals Relating to the Restructuring of Power Purchase Agreements with Northeast Energy Associates Limited Partnership

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric (the "Companies") to discovery questions asked by the Attorney General and the Department of Telecommunications and Energy in the above-referenced proceeding, as listed on the following Discovery Log. Please note that certain documents that are responsive to these questions are confidential and are being filed under separate cover with the Attorney General and the Hearing Officer only.

Thank you for your attention to this matter.

Very truly yours,



John K. Habib

Enclosures

cc: Service List  
Joan Foster Evans, Hearing Officer (2)  
Colleen McConnell, Assistant Attorney General (2)

# LOG OF RESPONSES FILED

**D.T.E. 04-85**

**November 10, 2004**

AG-1-1	Filed November 8	Attachment AG-1-1 (a) Attachment AG-1-1 (b) Attachment AG-1-1 (c) Attachment AG-1-1 (d) Attachment AG-1-1 (e)
AG-1-2	Filed November 3	Attachment AG-1-2 <b>CONFIDENTIAL BULK</b>
AG-1-3	Filed November 3	Attachment AG-1-3 <b>CONFIDENTIAL</b>
AG-1-4	Filed November 3	Attachment AG-1-4 (a) Attachment AG-1-4 (b) Attachment AG-1-4 (c)
AG-1-5	Filed November 8	Attachment AG-1-5 (a) <b>CONFIDENTIAL</b> Attachment AG-1-5 (b) <b>CONFIDENTIAL</b> Attachment AG-1-5 (c) <b>CONFIDENTIAL</b> Attachment AG-1-5 (d) <b>CONFIDENTIAL</b> Attachment AG-1-5 (e) <b>CONFIDENTIAL CD-ROM BULK</b>
AG-1-6	Filed November 3	
AG-1-7	Filed November 5	
AG-1-8	Filed November 3	
AG-1-9	Filed November 3	
AG-1-10	Filed November 3	Attachment AG-1-10 (a) <b>CONFIDENTIAL</b> Attachment AG-1-10 (b) <b>CONFIDENTIAL</b>
AG-1-11	Filed November 8 (First Filing)	Attachment AG 1-11
AG-1-12	Filed Herewith	Attachment AG-1-12
AG-1-13	Filed November 5	Attachment AG-1-13 <b>CONFIDENTIAL CD-ROM</b>
AG-1-13 (REVISED)	Filed November 8 (First Filing)	
AG-1-14	Filed November 5	
AG-1-15	Filed November 5	
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AG-1-42	Filed Herewith	Attachment AG-1-42(a) <b>CONFIDENTIAL</b> Attachment AG-1-42(b) <b>CONFIDENTIAL</b>
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DTE-1-13	Filed Herewith	Attachment DTE-1-13(a) <b>CONFIDENTIAL</b> Attachment DTE-1-13(b) Attachment DTE-1-13(c) <b>CONFIDENTIAL</b>
DTE-1-14	Filed November 8 (First Filing)	Attachment DTE-1-14(a) <b>CONFIDENTIAL</b> Attachment DTE-1-14(b) <b>CONFIDENTIAL</b>
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DTE-2-17	Filed November 9 (Second Filing)	

Information Request AG-1-12

Please provide the monthly capacity factor for NEA, since its startup.

Response

Please see Attachment AG-1-12 which provides the month capacity factors since the startup of the plant.

NSTAR Electric  
Department of Telecommunications and Energy  
D.T.E. 04-85  
Information Request: AG-1-12

**Capacity Factors**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1991						2.18%		3.85%	50.61%	63.34%	84.90%	77.02%
1992	95.81%	95.71%	95.70%	90.59%	80.88%	63.86%	87.83%	100.00%	100.00%	82.59%	88.71%	81.64%
1993	75.98%	93.97%	85.03%	93.18%	89.81%	100.00%	100.00%	100.00%	95.81%	77.57	94.15%	69.45%
1994	86.09%	91.66%	90.25%	54.09%	89.77%	100.00%	100.00%	100.00%	100.00%	84.27%	83.50%	83.98%
1995	95.92%	95.69%	94.03%	88.75%	73.18%	100.00%	97.67%	97.43%	100.00%	85.20%	91.44%	97.87%
1996	97.00%	94.97%	95.97%	89.82%	38.06%	86.58%	100.00%	100.00%	100.00%	90.93%	89.40%	94.50%
1997	93.11%	94.04%	96.00%	91.87%	77.17%	100.00%	100.00%	100.00%	100.00%	89.69%	91.39%	94.16%
1998	97.94%	96.25%	95.83%	93.61%	19.38%	100.00%	100.00%	100.00%	100.00%	91.42%	92.74%	81.55%
1999	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.47%	96.69%	100.00%	96.11%	100.00%	95.60%
2000	99.97%	100.00%	100.00%	99.09%	100.00%	90.78%	100.00%	100.00%	100.00%	94.22%	97.36%	94.22%
2001	100.00%	96.01%	100.00%	99.90%	75.87%	100.00%	100.00%	100.00%	100.00%	98.35%	100.00%	100.00%
2002	98.00%	99.95%	95.88%	99.86%	100.00%	99.71%	100.00%	100.00%	100.00%	100.00%	58.53%	99.49%
2003	97.33%	99.33%	91.87%	100.00%	95.01%	98.90%	79.19%	99.05%	100.00%	99.85%	100.00%	100.00%
2004	94.68%	100.00%	91.16%	100.00%	32.91%	89.72%	100.00%	97.97%	100.00%	89.36%	0.00%	0.00%



Information Request AG-1-42

During the term of the contracts have the Companies had any disputes with the vendor? If yes, please provide for each dispute the date of the dispute, the amount of the disputed costs, how the dispute was resolved, how any dispute related charges, credits or settlement amounts were accounted for, and the date the dispute was resolved. Include all correspondence between parties to the dispute, any internal correspondence regarding the dispute and any correspondence with any other entities regarding the dispute (including outside counsel, regulatory agencies, and courts). Provide copies of all contracts, contract amendments and agreements related to settlement of each dispute.

Response

- In 1993, a dispute developed between Commonwealth Electric and NEA as to the interpretation of the Power Sales Agreements. Commonwealth withheld payment to NEA of approximately \$1,009,432. In a letter dated July 9, 1993, the parties agreed that the Net Capability pertaining to the unit is 290 MW, which caps the Commonwealth's entitlement to the unit. The parties agreed that the intent of the PPAs was to place an absolute limit on Commonwealth's power purchase obligation of the two PPAs to 25 MW and 21 MW, respectively.

Commonwealth agreed to purchase the excess energy that has no economic value, and the parties agreed to a Capability Adjustment credit to be deducted from monthly invoices. This July 9, 1993 letter is at Bates pages 339-342 of Appendix A of the Petition. No other correspondence is available.

- Under the Boston Edison A contract with NEA, there is a provision that allows refusal of up to 200 hours of energy. Over the years, there have been disagreements about how that provision should be interpreted and its impact on other PPAs. Attachment AG-1-42(a) **CONFIDENTIAL** are documents that relate to the issue.
- In February 2003, prior to the March 1 implementation of the SMD Markets at ISO-NE; NEA was notified of the Delivery Points associated with the Commonwealth and Boston Edison Power Purchase Agreements. There was no response from NEA to this letter until NSTAR Electric sent a letter in April 2003 notifying NEA that NSTAR Electric was financially settling with NEA to get the power to the delivery points. In May 2003 NEA, disputed the delivery points of the NEA B contract and agreed that it was responsible for getting power to the delivery point, but did not agree with the calculation done by NSTAR Electric.

After review, NSTAR Electric informed NEA that it agreed with the NEA B delivery point as noted by NEA in a letter was sent dated August 4, 2003. However, the letter also explained why NSTAR Electric believed that its calculation of the financial settlement was correct. NSTAR Electric has withheld approximately \$2.7 million. All correspondence associated with this dispute are contained in Attachment AG-1-42(b) **CONFIDENTIAL**. Although the issue was never resolved, it would be covered by the general release language under each Amended and Restated Power Purchase Agreement (Petition, Appendix A, Bates pages 45-46, 181, 292 and 373).

Information Request AG-2-20

Provide the total amount of payments to be made to NEA pursuant to the Bellingham Execution Agreement. If any element of the payment(s) is presently unknown provide an explanation and example of how such amount will be determined.

Response

The total Payment Amount under the Bellingham Execution Agreement ("Agreement"), as defined and outlined in Section 5.5 of said Agreement will be calculated as the sum of the Closing Date Amount and the revised Adjusted Bid Price Amount. The exact amounts will not be known with certainty until the closing which is anticipated to be January 2005.

The Closing Date Amount, as defined in the Agreement (see Petition, Appendix A, at Bates page 4-5) is the arithmetic difference between the total amounts paid by NSTAR Electric to NEA under the four existing PPAs for the period from April 1, 2004 through the Closing Date and the calculated obligations of NSTAR Electric under the four Amended and Restated PPAs ("A&R PPAs") for the same period. The obligations of NSTAR Electric under the A&R PPAs are governed by four factors: Support Payment, value of on-peak Energy, value of off peak energy, and value of Capacity. Because this calculation uses actual market prices on an ongoing basis, many of the amounts are subject to adjustment. At the time of the filing, the estimated Closing Date Amount was \$39.2 million as indicated in Exhibit NSTAR-GOL-3. This amount will be updated in the response to Information Request AG-2-13.

The Revised Adjusted Bid Price Amount as outlined in Section 5.5(b) of the Agreement (see Petition, Appendix A, at Bates page 16) is equal to the Bid Price Amount (\$12,566,453) plus or minus any change in the calculated forward value of the energy deliveries under the four Existing PPAs, up to a maximum change (+ or -) of \$15,000,000. Please see sheet labeled "Schedule 1" in the response to Information Request AG-2-19, Attachment AG-2-19, for a sample of this calculation. At the time of the filing the Adjusted Bid Price Amount was \$27.6 million as indicated in Exhibit NSTAR-GOL-4. This amount will be updated in the response to Information Request AG-3-15.

Information Request AG-3-21

Please provide the total amount of monthly support payments to be paid over the term of each Amended and Restated Power Purchase Agreements. Please provide a separate calculation for each company.

Response

Please see Attachment AG-3-9 **CONFIDENTIAL**. Pages 1 through 6 of Attachment AG-3-9 shows the calculation of the support payments to be paid over the term of the Amended and Restated Power Purchase Agreements for Boston Edison. Pages 7 through 12 shows the calculation of the support payments to be paid over the term of the Amended and Restated Power Purchase Agreements for Commonwealth.

The same information is also provided in Attachment DTE-2-10 **CONFIDENTIAL** and Attachment DTE-2-11 **CONFIDENTIAL**. The undiscounted, nominal totals of the support payments are:

Boston Edison	NEA A	\$192.8 million
Boston Edison	NEA B	\$523.1 million
Commonwealth	NEA 1	\$ 46.8 million
Commonwealth	NEA 2	\$ 246.1 million

Information Request AG-3-27 (B)

Please provide the heat rate history of the Bellingham unit for the period from the in-service date to the present.

Response

Please refer to the response to Information Request AG-1-40 **CONFIDENTIAL**.

Information Request DTE-1-13

Refer to Exh. NSTAR-RBH at 27, lines 17-20. What would be the savings of the restructuring for Commonwealth customers if the NEA position of escalating the last two years of the NEA-2 contract (2015-16) at the same rate as the prior years prevailed?

Response

**CONFIDENTIAL ATTACHMENT**

The restructuring savings for Commonwealth customers under the above assumptions would increase by \$3.076 million. This is the difference between the NPV savings of \$65.536 million on Exhibit NSTAR-COM-GOL-2, Column d, last line and savings of \$68.612 million on Attachment DTE-1-13(b), Column d, last line. The Company is filing the following attachments that incorporate the stated assumption in support of this calculation:

Attachment DTE-1-13(a): Exhibit NSTAR-RBH-6 **CONFIDENTIAL**

Attachment DTE-1-13(b): Exhibit NSTAR-COM-GOL-2

Attachment DTE-1-13(c): Exhibit NSTAR-COM-GOL-3 **CONFIDENTIAL**

Year	Base Case Revenues	NEA Restructuring Revenues	Customer Savings
Col.A	Col.B	Col.C	Col.D
2004	\$ 74.654	\$ 74.654	\$ -
2005	174.902	174.902	\$ -
2006	178.400	178.400	\$ -
2007	147.477	134.298	\$ 13.179
2008	100.621	93.366	\$ 7.255
2009	78.925	70.473	\$ 8.452
2010	78.545	69.161	\$ 9.384
2011	78.398	67.822	\$ 10.576
2012	79.334	66.740	\$ 12.594
2013	77.157	63.004	\$ 14.153
2014	79.650	65.800	\$ 13.850
2015	81.776	64.955	\$ 16.821
2016	65.386	44.166	\$ 21.220
2017	14.584	14.584	\$ -
2018	5.357	5.357	\$ -
2019	5.094	5.094	\$ -
2020	5.030	5.030	\$ -
2021	5.321	5.321	\$ -
2022	2.803	2.803	\$ -
2023	1.160	1.160	\$ -
2024	0.404	0.404	\$ -
2025	0.265	0.265	\$ -
2026	0.345	0.345	\$ -
Total	\$ 1,335.587	\$ 1,208.104	\$ 127.483
8.200%	\$ 914.547	\$ 845.935	\$ 68.612

Discounted at Commonwealth After Tax Discount Rate  
used in the Company's Restructuring Filing

Information Request DTE-2-4

Refer to Exh. NSTAR-GOL, Page 13, lines 17 through 19, where it states, "Contract Energy delivered to NSTAR Electric under an Amended and Restated PPA by NEA, or on behalf of NEA's suppliers or designees, will be deemed delivered by NEA." Please explain the circumstances under which the suppliers or designees of NEA will deliver Contract Energy to NSTAR, and list those supplier or designees.

Response

NEA is not currently a member of NEPOOL and thus is not capable of scheduling the deliveries. NEA may, at its option, elect to join NEPOOL, or may elect to designate a third party to facilitate deliveries under the Amended and Restated PPAs. NSTAR Electric does not have a list of potential suppliers/designees.



Information Request DTE-2-5

Refer to Exh. NSTAR-GOL, Page 14, lines 2 through 6, and Appendix A at 31, 167, 278, and 359. Please provide the corresponding Facility Bus provisions under the Existing PPAs. Explain the reasons for the change.

Response

Under the Existing NEA-A and NEA-B PPAs, Delivery Point is defined in part as "...Seller's Interconnection." (see Petition, Appendix A at Bates pages 63 and 200). This is the same electrical point as described as Facility Bus in the Amended and Restated PPAs. Under the Existing NEA-1 and NEA-2 PPAs, the delivery point is defined as "the 345,000 volt bus in Canal Electric Company Switchyard in Sandwich, Massachusetts" (see Petition, Appendix A at Bates pages 308A and 390), and thus no definition of facility bus was required.

The update of the definition was performed to better reflect current market rules and create uniformity between agreements.

Information Request DTE-2-7

Refer to Exh. NSTAR-GOL, Page 15, lines 5 through 10. Please provide the corresponding provisions in the Existing PPAs concerning delivery of energy and capacity, and explain the reason for the changes found in the NEA Restructuring.

Response

Please see response to Information Request DTE-2-5 for the delivery point provision of the Existing PPAs. The delivery points under the Amended and Restated PPAs were established as a commercially traded node under Standard Market Design and further were standardized for consistency across the four agreements.

Information Request DTE-2-8

Refer to Exh. NSTAR-GOL, Page 15, lines 10 to 21, and Appendix A of the Companies' Petition, Pages 39, 175, 286 and 367. Please provide the corresponding provisions in the Existing PPAs concerning Energy Payment, and explain the reasons for the changes found in the NEA Restructuring.

Response

Under the Existing NEA-A PPA, Article 6 and Article 9 (see Petition, Appendix A at Bates pages 77 to 80) identify the Energy Purchase Price and Total Price applicable to purchases under the agreement. Under the Existing NEA-B PPA, Article 8 (see Petition, Appendix A at Bates pages 222 to 224) identifies the Capacity and Energy Purchase Rate applicable to purchases under the agreement. Under the Existing NEA-1 and NEA-2 PPAs, Article III (see Petition, Appendix A at Bates pages 308 and 389) identifies the Purchase Price and Appendix B to the Existing NEA-1 and NEA-2 PPAs identifies the Total Purchase Rate (see Petition, Appendix A at Bates pages 323 to 325 and 407) applicable to purchases under these agreements.

Under the NEA Restructuring, the total contract costs are split into two distinct categories, Market Value of Products (energy and capacity), and Support Payments. Since the pricing provisions of the four Existing PPAs did not properly reflect the Market Value of the energy and capacity those pricing provisions were replaced with pricing at actual market value for each product. The Support Payment represents a discounted valuation on the out-of-market costs under the pricing provisions of the Existing PPAs.

Information Request DTE-2-9

Refer to Exh. NSTAR-GOL, Page 15, line 21, through Page 16, line 3, and Appendix A of the Companies' Petition, Appendix A at 40-41, 176, 287 and 368. Please provide the corresponding provisions in the Existing PPAs concerning Capacity Payment, and explain the reasons for the changes found in the NEA Restructuring.

Response

Under the Existing NEA-A PPA, Article 7 and Article 9 (see Petition, Appendix A at Bates pages 78 to 80) identify the Capacity Purchase Price and Total Price applicable to purchases under the agreement. Under the Existing NEA-B PPA, Article 8 (see Petition, Appendix A at Bates pages 222 to 224) identifies the Capacity and Energy Purchase Rate applicable to purchases under the agreement. Under the Existing NEA-1 and NEA-2 PPAs, there are no specific pricing provisions regarding Capacity

Under the NEA Restructuring the total contract costs were split into two distinct categories, Market Value of Products (energy and capacity), and Support Payments. Since the pricing provisions of the four Existing PPAs did not properly reflect the Market Value of the energy and capacity those pricing provisions were replaced with pricing at actual market value for each product. The Support Payment represents a discounted valuation on the out-of-market costs under the pricing provisions of the Existing PPAs.

NSTAR Electric  
Department of Telecommunications and Energy  
D.T.E. 04-85  
Information Request: **DTE-2-10**  
November 10, 2004  
Person Responsible: Geoffrey O. Lubbock  
Page 1 of 1

Information Request DTE-2-10

Refer to Exh. NSTAR-GOL, Page 16, lines 4 to 14, and Footnote 2 on Page 16. Please provide a chart comparing the data found in columns D and E, page 8, of Confidential Exh. NSTAR-BEC-GOL-4, with the corresponding data under the Existing PPAs.

Response

**CONFIDENTIAL ATTACHMENT**

Please see Attachment DTE-2-10 **CONFIDENTIAL**.

Information Request DTE-2-11

Refer to Exh. NSTAR-GOL, Page 16, lines 4 through 14 and Footnote 2 on the same page. Please provide a chart comparing the data found in columns D and E, page 15, of Confidential Exh. NSTAR-COM-GOL-4, with the corresponding data under the Existing PPAs.

Response

**CONFIDENTIAL ATTACHMENT**

Please see Attachment DTE-2-11 **CONFIDENTIAL**.

Information Request DTE-2-14

Refer to the Petition, Appendix at 16-17, 5.5, Closing Payment. Please explain in detail how these provisions benefit the Companies' customers.

Response

As described in the response to Information Request DTE-2-12, the Revised Adjusted Bid Price Amount was designed to allow customers to realize benefit from upward movements in market prices, while insulating them from severe downward movements. The Closing Date provision also benefits customers in that although the proposal from NEA included Support Payments beginning April 2004, customers have not had to pay such payments, nor are they required to pay any interest on the Support Payments.

Information Request DTE-2-16

Refer to Exh. NSTAR-GOL at 11-12. The Companies identify the entitlements in the four PPAs to purchase power from the NEA generating facility located in Bellingham, MA: (1) NEA-A is for 46.6 percent of the unit; (2) NEA-B PPA is for 28.9 percent of the unit; (3) NEA-1 PPA is for 8.6 percent of the unit; (4) NEA-2 PPA is for 7.2 percent of the unit. Please explain why the sum of these percentage is 91.3 percent, which is less than 100 percent, and explain the usage for the remaining 8.7 percent of the unit.

Response

The remaining 8.7 percent of the unit may be subscribed to another purchaser, or simply used for merchant purposes. NSTAR Electric has no interest in the allocation of the remaining 8.7 percent of the unit.